



**TOWN OF WALPOLE**  
COMMONWEALTH OF MASSACHUSETTS

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Town Administrator

*Michael E. Boynton*

**MEMORANDUM**

To: Board of Selectmen  
Finance Committee  
Capital Budget Committee  
School Committee

From: Michael E. Boynton,  
Town Administrator

Date: February 4, 2008

Re: Fiscal Year 2009 Budget Proposal & Message

If the following budget message seems to sound familiar, do not become alarmed. You are not drifting back in time nor are you having flashbacks to prior budget presentations. You are in Massachusetts, and more specifically, in a Massachusetts municipality. Here, little changes from year to year other than perhaps some of the faces of those promising change. Unfortunately, that change has yet to come. Welcome to the preparation for Fiscal Year 2009. Welcome also to our reoccurring themes of dwindling revenues, increased costs, and major efforts on the part of city and town leaders across this state to do everything possible to maintain services and programs. Walpole is no different. While the dire conditions we have all heard and read about in other communities have not occurred in Walpole to date, we too will soon find ourselves in a similar situation unless serious and meaningful reforms occur at the state and federal levels. In years past, we in Walpole have avoided wandering into the financial quagmire through the outstanding efforts of the many department heads and staff members who have gone and continue to go above and beyond the call to ensure that our service delivery is second to none. This dedicated team of professionals has brought about fiscal stability through sound budgeting and efficient and conservative accounts management. But most importantly, they have performed their duties with a passionate commitment to help us be the best town in this Commonwealth. Our staff is the single most important resource we have, and we can be confident that they will again rise to the call as Fiscal Year 2009 begins to take shape.

It is safe to say that in this season of presidential politicking, we are never more than two to three minutes away from a candidate or candidate supporter promising us "change". The problem, however, is that we are not really sure what changes they have in mind. The situation in Massachusetts is quite similar. One year ago, the hope was high and strong for changes that would allow municipalities to climb out of the fiscal straight-jacket that had harnessed the Bay State's 351 communities for nearly seven years. The changes sought by cities and towns including Walpole had as much to do with easing of restrictions and mandates that increase

costs as it did with pleadings for more revenue dollars. Requests were made to overhaul Chapter 40B, allow cities and towns access to the state run Group Insurance Commission (GIC) for health care cost savings, and to close huge loopholes in corporate tax structures that have allowed telecommunications companies, among others, to avoid paying their fair share of property taxes. Instead, we received news of 40B reforms that will further restrict a community's ability to carry out home rule, a health insurance GIC option that relies on the acceptance of unions to be considered, and a flat-out refusal by some legislative leaders to close tax loopholes or to provide cities and towns with an ability to raise revenue through a local option meals tax. I am quite certain that these outcomes were not what anyone had in mind.

The status quo at the federal level is being felt here at home as well. While the Congress and President point to each other as the cause for reform stagnation, little has been accomplished to truly loosen the stranglehold that increased costs and the slowing of the overall economy has had on communities. The crisis in the mortgage lending industry has had a direct negative impact on growth in residential construction. In Walpole, 278 new residential construction building permits totaling over \$30 million dollars in new value were issued between 2003 and 2005. In the last two years, that number has dipped to 74 new permits. This translates into an immediate and significant drop in new growth revenue for our budget, down over one-half million dollars in two years. While residential growth is not necessarily a model by which to develop long-range budget plans, the rapid decline in growth identifies yet another unexpected variable our budgeting process must account for. This economic factor is not the only collateral outfall of the Washington political chess match. It defies explanation as to how a nation can continue to be burdened with fuel prices that have risen over 100% since 2005 without virtually anyone talking about it. Not current leaders. Not candidates. Not the media. Through less than scientific but somewhat logical calculations, it can be suggested that the average vehicle will require an additional \$900 annual dollars to operate than it did when fuel prices were \$1.50 per gallon. In Walpole, this translates into nearly \$50,000 in annual increased motor vehicle fuel costs from 2004 through 2007. This does not include the increased heating fuel costs during that same period. Thus while many talk of change, it is critically important that all of us do what we can to focus that talk on changes that will have the greatest impacts on our community as well as our very own homes.

This proposed Fiscal Year 2009 budget represents a growth of 3.4% over the current year. The total budget is \$63,224,662, a figure just over \$2.2 million above Fiscal Year '08. Of that, nearly \$1.1 million dollars will be required to cover increased non-discretionary costs in assessments and benefits line items. That leaves just \$1.17 million to address all other increased budget needs. As you will soon see and hear, that will not be sufficient. In fact, over \$340,000 in cuts to municipal departments' accounts have been made in an effort to bring this budget into balance. The impact to the School budget may be more significant based upon their projected needs. In dedicating 66% of new discretionary revenues to the School Department, this budget proposes a School appropriation of \$774,228 over this fiscal year totaling \$30,897,272. This is an increase of 2.57%. The School Department's requested budget of \$32,193,618, however, would require a 6.87% increase. Clearly given our fiscal conditions such a jump is not possible. As such, a gap of nearly \$1.4 million dollars must be closed to balance that budget. Such a task is seemingly impossible to accomplish without including personnel cuts as part of the process.

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As mentioned, the proposed assessments & benefits category reflects an increase of 10.5%. This is by far the largest spike in this budget, a trend that has been consistent over the last several years. The current proposal assumes a health insurance increase of 12%, however there are indications that a more favorable and lower figure might be realized when rates are set at the end of the month. General government lines are projected to rise by 3.6% with the largest impact being reflected in projected heating and utility costs within Building Maintenance. In addition, a large increase can be found in the personnel line of our Information Systems budget. This is not the result of any added personnel, but rather an accounting shift in the funding of the Network Administrator position. Where this position had historically been shared between Municipal and School operations, a reorganization of School technology staff has resulted in a transition to this position to strictly municipally funded in FY'09. Other budget categories project smaller increases next year, including Public Safety 1.3%, Public Works .40%, and Health and Human Services at 2.4%. Our Culture & Recreation category as proposed will show a reduction of 3.3% for next year as a result of budget reductions in the Library (\$35,000) and Recreation (\$25,000) budgets. The Recreation reduction will require one half-time position to be funded from the Recreation revolving fund rather than the general fund. This move, along with continuing increases in programs costs, may result in fee increases for some programs as well as pool passes. Cuts to the Library budget must be closely monitored to ensure that Walpole does not suffer a reduction in any state aid funding, most notably the possible Library construction grant.

There will be one position completely eliminated as part of this budget proposal. The Economic Development & Grants Officer position, first funded four years ago in the Fiscal Year 2005 budget, is slated to be cut effective July 1<sup>st</sup>. There may be much debate over the logic behind this move as well as those listed above, however the need to preserve essential services proved to be the highest priority here. Further, it was hoped that significant commercial growth directly related to this new office would occur throughout town when this post was created. For a number of reasons, not the least of which includes the economic slowdown noted earlier, this has not occurred. Yet make no mistake about it, the efforts of the individuals who have held the job has been very commendable. Perhaps a significant change in our financial picture will occur to allow a revisit of this post in the next several years. In the meantime, it will be important that we as a community work closely with the Economic Development team of the Neponset Valley Chamber of Commerce as well as our own Walpole Chamber of Commerce to stay on top of developments & opportunities that may be beneficial to Walpole.

Expense lines in the various municipal budgets have also been trimmed extensively. Many of these, including Building Maintenance repair & utility line items, Highway supplies & maintenance lines, Parks property upkeep accounts, and Police & Fire supply budgets would be the first municipal targets for restored funding if new revenues are identified between now and the Spring Town Meeting. Further, we must continue to monitor overtime costs for both Public Safety departments to not only look for needed funding, but also for potential cost savings where appropriate. Yet the biggest "expense" need not addressed in this budget continues to be our Snow & Ice accounts. As of this date, the 2007-2008 winter storms have plunged our FY'08 Snow & Ice accounts into a deficit of \$195,000. While we will likely look to the Overlay Surplus account or perhaps even Free Cash to help close this gap, it is important that we strive to find a means to add funds to this budget account, perhaps even as much as \$250,000. By means of comparison, in the winter of 2003-2004, we were paying \$29.21 per ton for road salt. Today that number is \$52.68 per ton. Quite obviously this matter must be addressed in the near future.

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Revenues clearly drive all discussions of how this and all budgets are put together. Earlier we looked at the broad picture of new FY'09 revenues projected to rise by just over \$2.2 million dollars. Specifically, the tax levy will increase by \$1.55 million while state aid will see an increase of \$710,000. This seems like good news, however a closer look shows Chapter 70 funding rising by more than \$1 million, yet is then offset by a decline in lottery revenues to Walpole of \$303,000. This is a disturbing development as it was not more than 2 years ago that the state proclaimed the lottery financially healthy and robust as the funding diversion cap was removed by state leadership. Today, we are hearing about cause for concern, which itself has translated into a 13.5% drop in desperately needed funds. With speculation about added revenues from gambling casinos taking center stage on Beacon Hill, we must remind all involved that a healthy lottery remains an essential component for the state to meet its' local aid commitments to cities & towns. Other revenues remain relatively consistent from FY'2008, with a notable exception being our projected interest income. In the last two weeks alone, the Federal Reserve has reduced interest rates by 1.25 percent. With each cut in the rate, the amount projected as interest income in our local receipts must also be adjusted downward. The Finance Director will continue to monitor this projection as our budget process moves forward.

Not all the news on revenues is bad however. For the first time in its five year run, Prison Mitigation funding has been included in the Governor's House 2 budget as a dedicated earmark. We will once again seek the assistance of our legislative delegation to secure this \$750,000 as part of the final state budget. Their sponsorship of these funds has been outstanding in the past several years, and we look forward to working with them again in the coming months.

The structure of our FY'2009 budget will also present a change of accounts. In the past, the budgets of the Finance Director, Treasurer, and Collector were broken out into three separate departments. Yet from a day to day perspective, they truly are one operation under one department head. As such, all three have been combined into a new Treasurer/Collector budget for FY'09.

Once again in FY'2009, we are projecting a simple yet solid debt budget. Some excluded debt has dropped off the funding charts for next year which translates into a \$48,187 reduction in tax levy demands. Also in FY'09, we will undertake a new program funded through borrowing to make improvements to various roads & sidewalks throughout Town. As has been discussed in the past, the annual Chapter 90 state highway program does not provide sufficient funding each year to address all of the roadway needs in town. As such, through the leadership of the Board of Selectmen, FY'2009 will mark the first of a five year, \$1 million dollar road improvement program where \$200,000 will be borrowed annually to fund the program. It is expected that there will be little impact on the operating budget as the newly borrowed debt service will simply replace prior non-excluded debt that will expire during the life of the program. From a fiscal stability point of view, maintaining a consistent debt service load will allow the Town to address long-term capital needs without cutting into programs or personnel. This type of funding mechanism may also prove beneficial as we prepare for the installation of smoke detectors in both middle schools.

In terms of personnel services accounts, municipal non-union accounts generally reflect a two percent cost of living adjustment, an amount approved in December by the Personnel Board. In addition, a recent salary structure review of non-union professional staff indicated an overall

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equitable and efficient compensation system for our staff. Four adjustments were recommended and enacted, with a one-grade adjustment for our Computer Technician, and in-grade step adjustments for the Assistant Town Administrator and both Police Lieutenants. On the union side of the system, all five municipal and four school collective bargaining agreements are due to expire on July 1<sup>st</sup> of this year. Negotiations with all units will likely be underway by month's end.

The projections for Water & Sewer accounts for FY'2009 show no significant adjustments. There are no requests for added personnel, and MWRA sewer costs are projected to rise by 4.5%. In an effort to minimize rate increases, the Sewer & Water Commission anticipates utilizing \$100,000 in Water retained earnings and \$200,000 in Sewer retained earnings to be applied as a revenue source. It is important to note however that major capital needs will take shape in the not too distant future, including a new water tank in the Old Post Road area as well as upgrades and rehabilitation to equipment in our treatment plants. These improvements have been identified on the five-year capital plan, and funding preparations must be considered as FY'2009 commences.

On the topic of Capital budgets, over \$2.3 million dollars will be expended on this year's program with funding coming from the following sources: Free Cash (\$1.8 million), Water & Sewer Retained Earnings (\$346,500), Ambulance/EMS Fund (\$42,000), General Fund Borrowing (\$519,950), and from remaining funds from previously approved and completed capital projects (\$150,000). Among the projects and equipment projected to be funded are a new fire engine (\$450,000), roof repairs at Bird Middle School (\$275,000), repairs to the Fisher School gym floor (\$50,000), Phase 3 of the WAN Fiber upgrade (\$150,000), Bird School media center renovations (\$40,000), and schools system-wide technology improvements (\$100,000). Yet while we continue to make progress with this capital program each year, it is important to keep the gains made in context with overall needs. Infrastructure and equipment requests this year topped \$5.6 million while available funding limited actual spending to \$2.57 million. The message remains that in order to continue to deliver quality services to our community, we must continue to invest in the tools as well as the personnel.

One major category that you will not find in this year's capital plans is facility replacement. While the needs have not been eliminated or even reduced, the planning for a new Public Safety facility or facilities has been somewhat slowed by the search for an acceptable site or sites. This issue remains a top priority for the Board of Selectmen and it is anticipated that a narrowing of site options will occur during this calendar year. Meanwhile, it is expected that consideration of the new Library project may advance as early as this summer. In all circumstances, any major facility construction project and/or land purchase will undoubtedly require funding through a debt exclusion.

Overall, our current fiscal year budget appears to be still on track and target. There are a handful of accounts that we are currently watching that may require additional funding before year's end. Most notable among that list is, as mentioned previously, our Snow & Ice budget now currently \$195,000 in deficit. Yet, I have consulted with a seasoned forecaster who is predicting that spring will arrive early this year and no significant storms will affect us between now and April. I do hope my Mother-In-Law is right on this. Other accounts that bear watching include Fire Department overtime, and our workers compensation account. An audit on salaries

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& wages has resulted in an increased assessment of \$33,000 that we will address through an insurance fund transfer closer to the year end.

As in years past, it is most appropriate to recognize the members of our team who have been instrumental in assembling this budget plan. Finance Director Mark Good, Town Accountant Arti Mehta, Appraiser Dennis Flis, Personnel & Benefits Coordinator Valorie Donohue, and Assistant Town Administrator Jim Johnson did an outstanding job once again in identifying revenues, checking and rechecking all accounts and budgets, and in coming together as a top notch financial team. And, once again kudos and appreciation is due for Sue Abate, Clare Abril, and especially Cindy Berube for all of their efforts in assembling the budget binders that we will use as the FY'09 review now gets under way. As I have said here and repeatedly in the past, we are all most fortunate to work alongside a very special group of department heads and staff, without whom this process would be an extreme challenge.

As we move forward into the FY'2009 budget review process, there are still a number of factors that can affect our overall bottom line. The most significant may be the final determination of health insurance rates in late February. Also, we will monitor activity by the Norfolk County Retirement Board to determine what, if any, discount is offered for early and full payment of our annual assessment. We will examine our workers compensation trust fund, now essentially retaining surplus funds of close to \$270,000, to determine if it can be utilized in part as a revenue source. And, as we do annually, we will work with our legislative delegation throughout the state budget process to be certain their final spending plan is favorable to Walpole. In short, we look forward to the review process by all of the volunteer boards who will give their time to study the proposal we have put forward, and we will be happy to assist wherever and whenever possible. This budget now belongs to the residents of Walpole, and collectively we will provide them with a solid and responsible final product.

I thank each of you for all of your hard work, and invite you to call on me with any questions, comments or suggestions you may have.